

**INSTRUMENTS AND POLICIES TO
SUPPORT RELIABLE AND
SUSTAINABLE INTERNATIONAL
ENERGY MARKETS:
ENERGY CHARTER AS COMMON
DENOMINATOR IN EURASIA**

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Energy Charter Secretariat**

**International Conference
“The Challenges of a Changing International Energy Market”,
8 November 2007, Hofburg, Vienna, Austria**

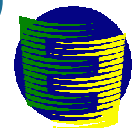
Aims of the Energy Charter Declaration (1991) and the Energy Charter Treaty (1994)

“Within the framework of **State sovereignty** and **sovereign rights** over energy resources and in a spirit of political and economic **co-operation**, they [signatories] undertake to promote the development of an **efficient energy market** throughout Europe, and a better functioning global market, in both cases based on the principle of **non-discrimination** and on **market-oriented price formation**, taking due account of **environmental** concerns. They are determined to create a **climate favourable** to the operation of **enterprises** and to the flow of **investments** and **technologies** by implementing **market principles** in the field of energy”.

(Title I: “Objectives”, Energy Charter Declaration 1991)

“This Treaty establishes a **legal framework** in order to promote **long-term** co-operation in the energy field, based on **complementarities** and **mutual benefits**, in accordance with the **objectives** and **principles** of the **Charter**”

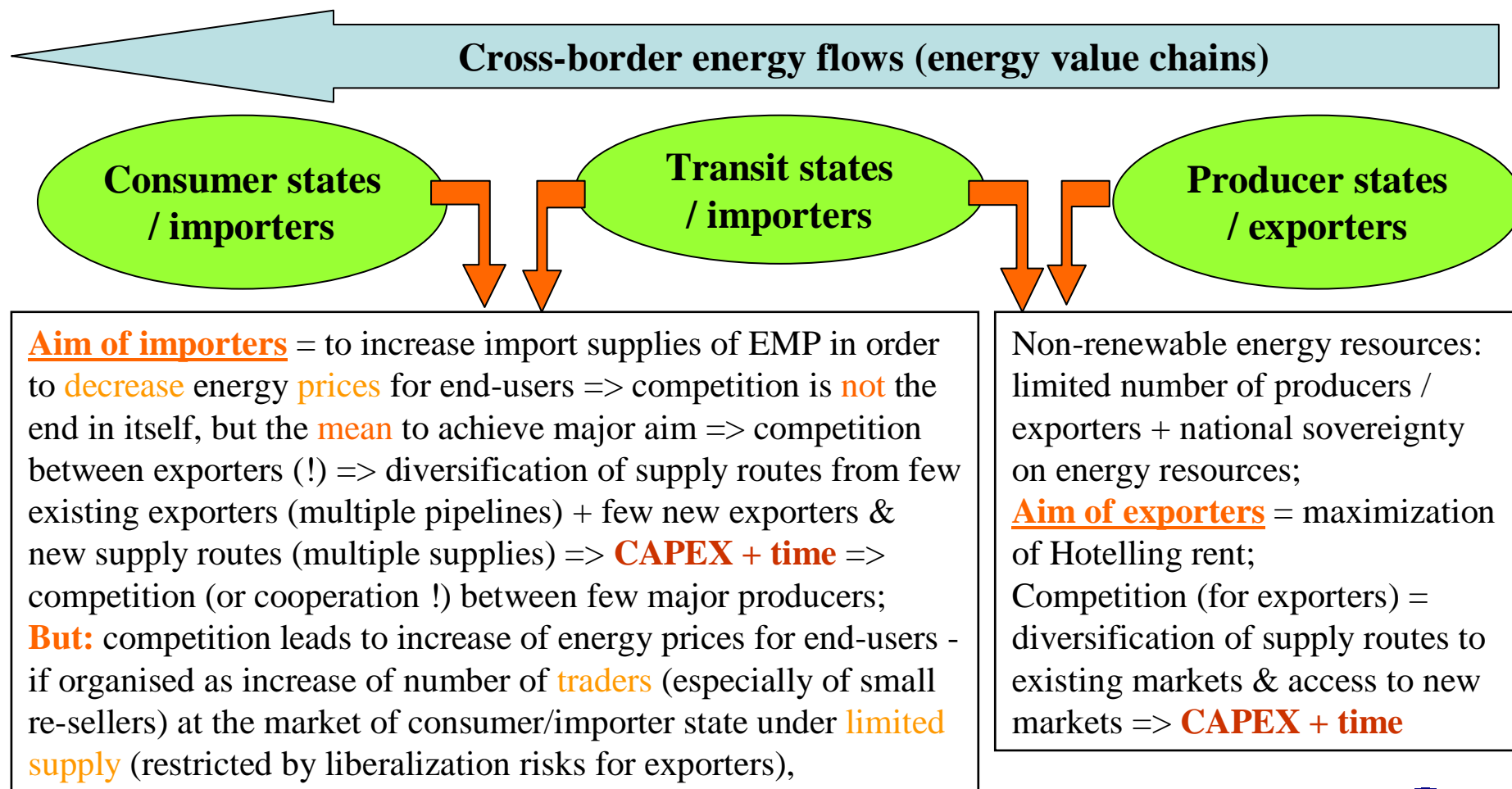
(Art. 2 “Purpose of the Treaty”, Energy Charter Treaty 1994)



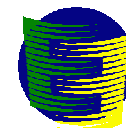
Energy Charter Treaty: competition & investments

“The CP shall work to promote **access to international markets on commercial terms**, and generally to develop an **open and competitive market**, for EMP”

(Art.3 “International energy markets”, Energy Charter Treaty 1994)

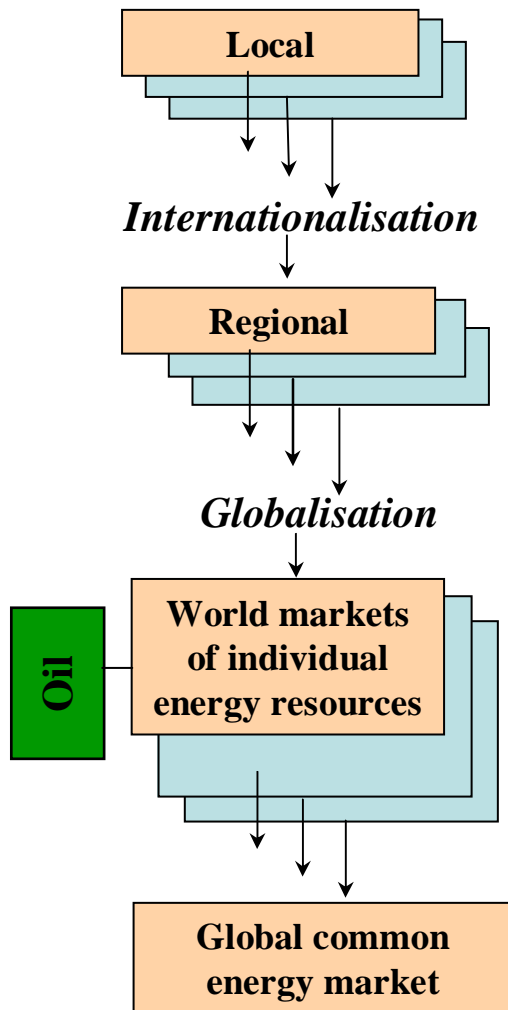


Competition = f (CAPEX + time) !!! => investment rules !!!

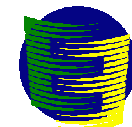
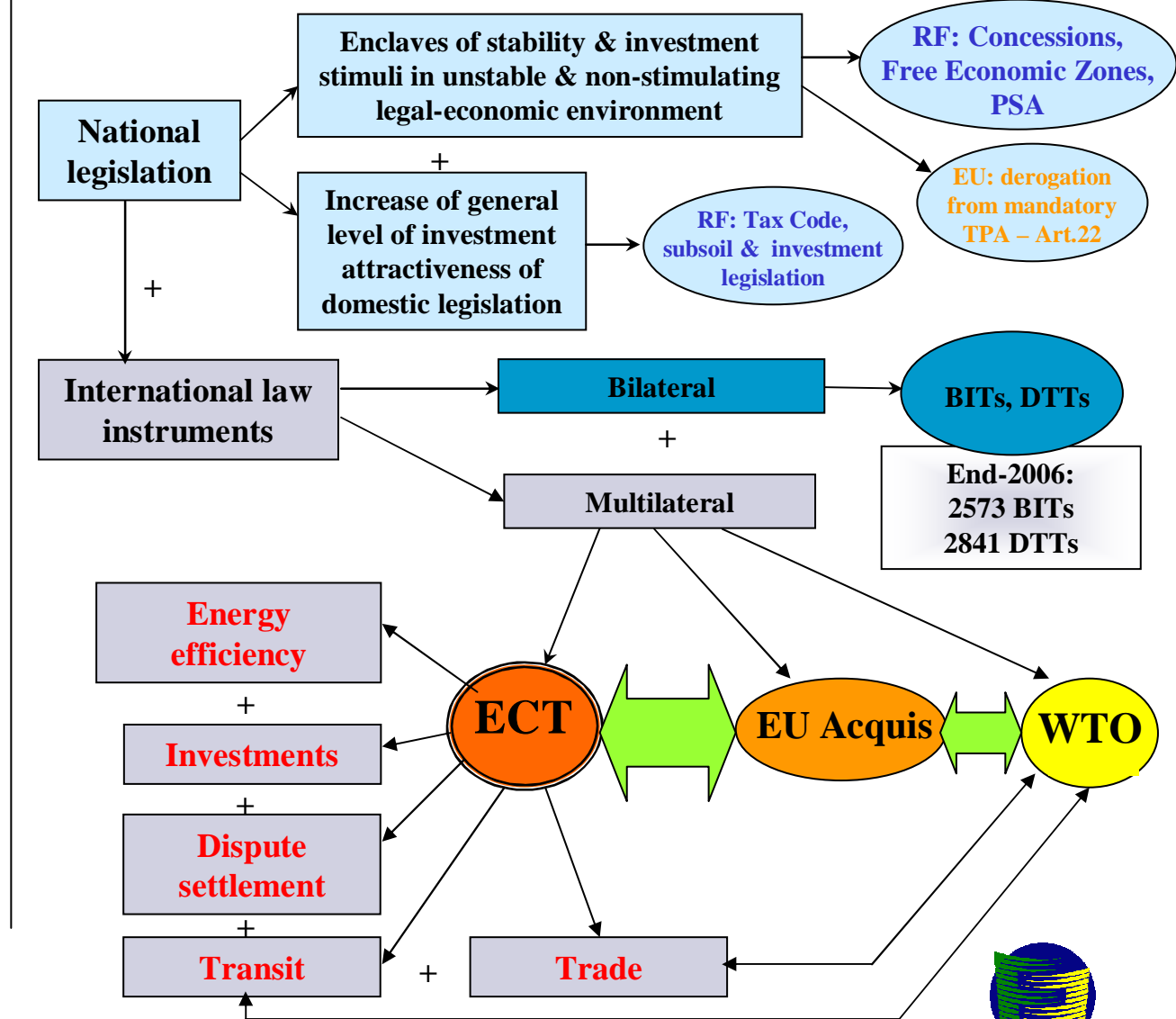


DEVELOPMENT OF INTERNATIONAL ENERGY MARKETS & OF MECHANISMS OF INVESTMENT PROTECTION/STIMULATION

Energy markets



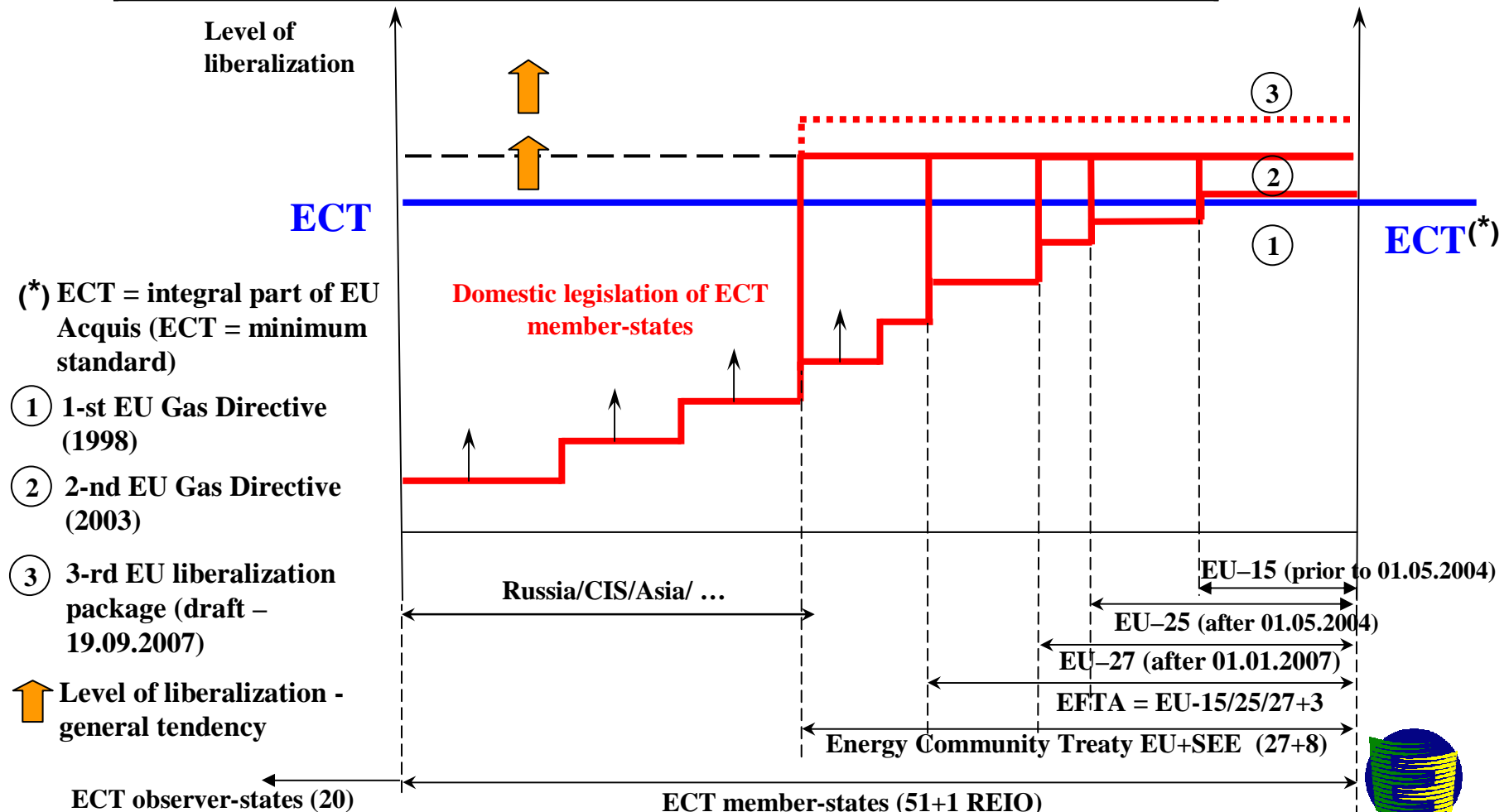
Mechanisms of investment protection/stimulation



ECT & EU acquis: “minimum standard” within evolving Eurasian common energy space vs. more liberalized model

Legal norms (examples)	ECT	EU Acquis (2-nd EU Gas Directive)
Mandatory TPA	No	Yes
Unbundling	No	Yes

Level of liberalization



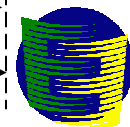
(*) ECT = integral part of EU Acquis (ECT = minimum standard)

① 1-st EU Gas Directive (1998)

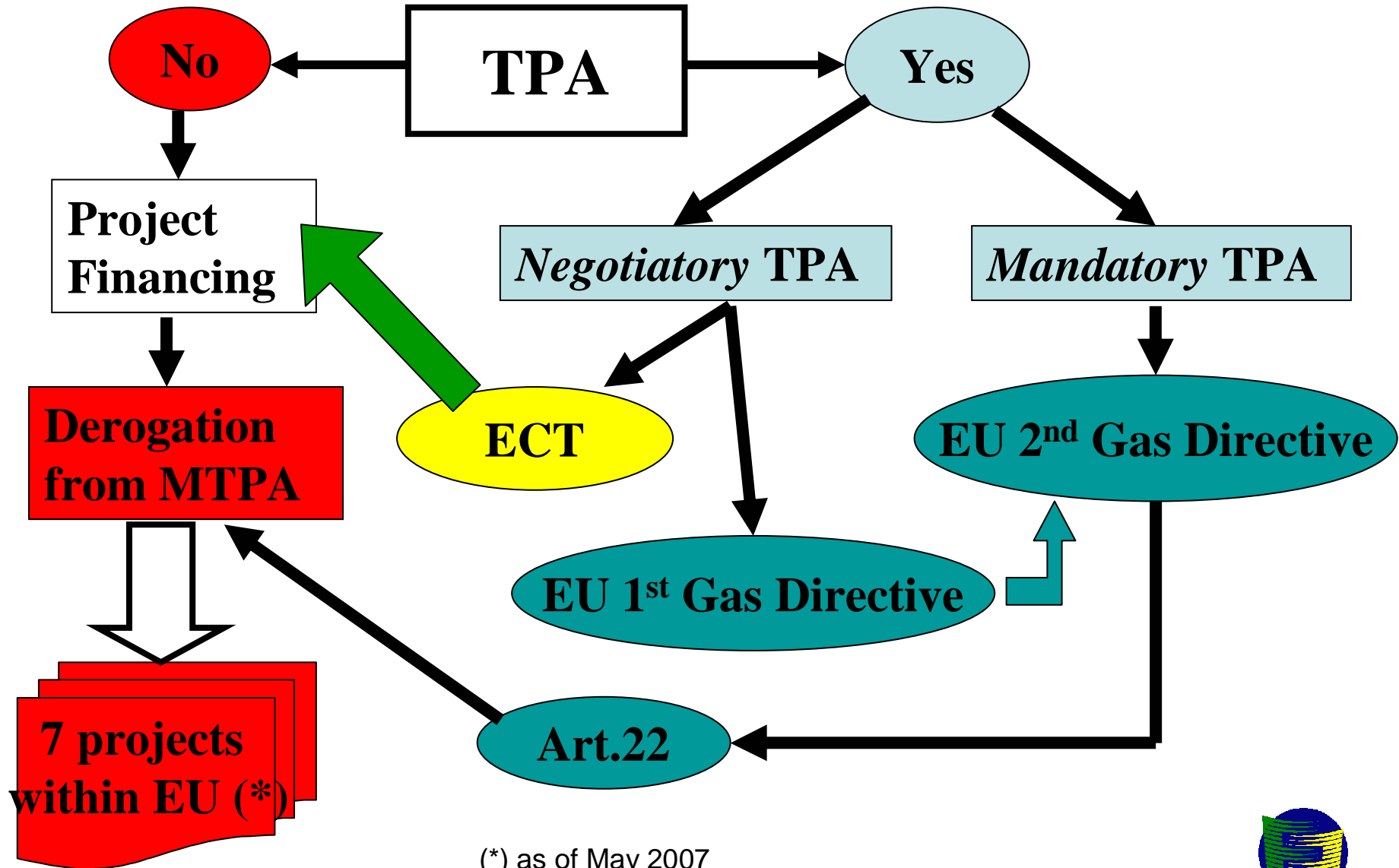
② 2-nd EU Gas Directive (2003)

③ 3-rd EU liberalization package (draft – 19.09.2007)

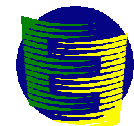
↑ Level of liberalization - general tendency



Debate on Third Party Access (TPA): competition vs. investment



(*) as of May 2007

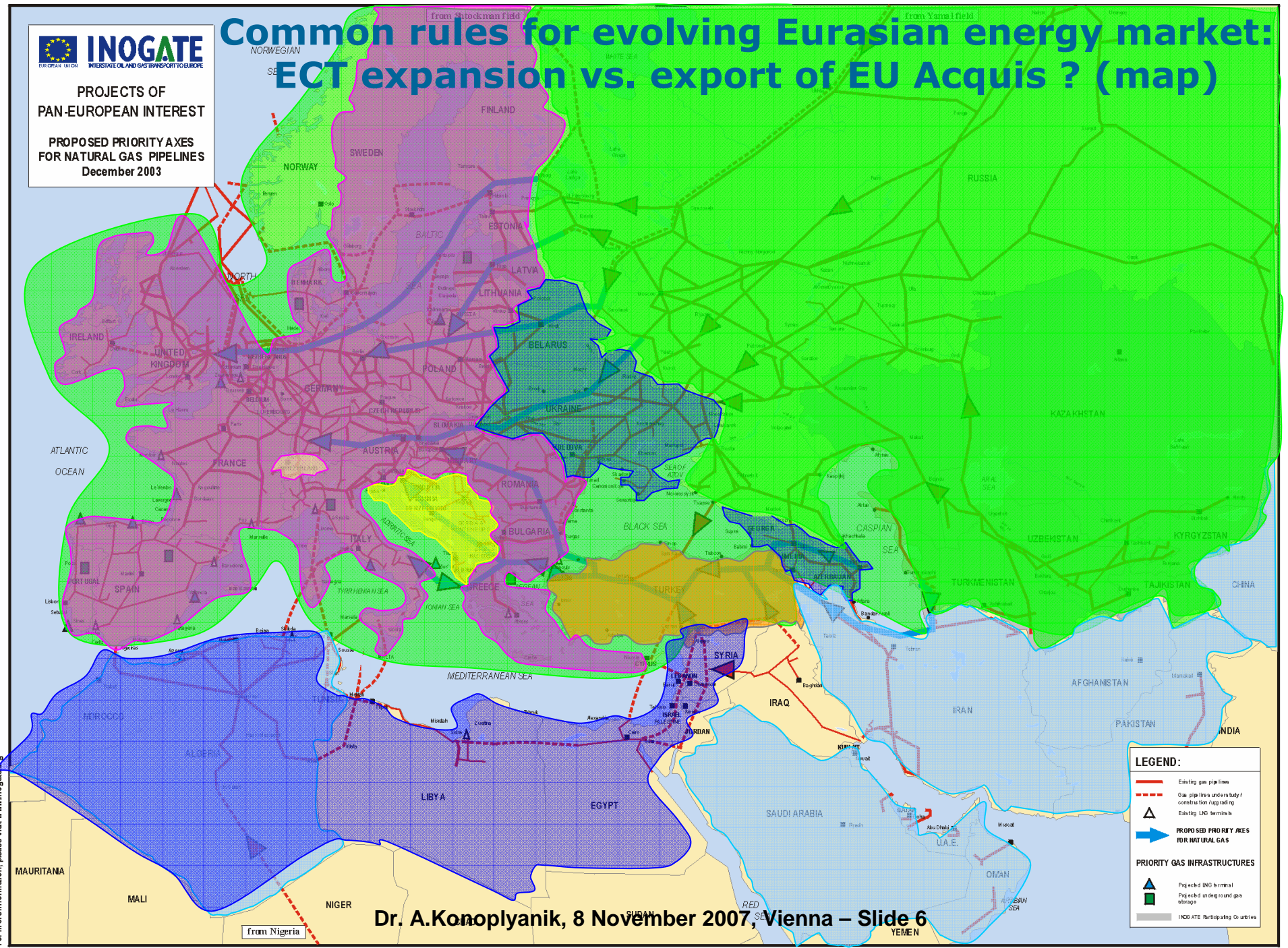




PROJECTS OF PAN-EUROPEAN INTEREST

PROPOSED PRIORITY AXES FOR NATURAL GAS PIPELINES
December 2003

Common rules for evolving Eurasian energy market: ECT expansion vs. export of EU Acquis ? (map)



LEGEND:

- Existing gas pipe lines
- Gas pipe lines under study / construction / up grading
- Existing LNG terminals
- PROPOSED PRIORITY AXES FOR NATURAL GAS

PRIORITY GAS INFRASTRUCTURES


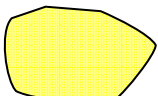
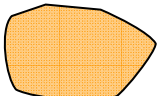
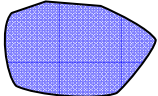

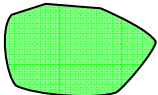
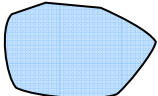
- Proposed LNG terminal
- Proposed underground gas storage
- INOGATE Participating Countries

Dr. A.Konoplyanik, 8 November 2007, Vienna – Slide 6

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Common rules for evolving Eurasian energy market: ECT expansion vs. export of EU Acquis ? (legend)

Zone	States within the zone	Description
	EU Members: 27 EU countries	EU legislation, including the energy legislation, is fully applicable
	Energy Community EU-SEE Countries: Croatia, Serbia, Montenegro, Croatia, Bosnia, FYROM (Macedonia), Albania, UNMIK (Kosova); other Energy Community members are already EU members	Only EU legislation on internal electricity and gas markets is applicable
	EU Candidate Countries: Turkey (Croatia is already an Energy Community member so applying the EU energy market acquis)	Still in the process of alignment to the EU legislation but full compliance not likely before membership
	EU Neighbourhood Policy Countries: CIS (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) and Northern Africa (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, Syria, Tunisia)	Enhanced energy cooperation based on National Action Plans with Ukraine and Moldova (as well as with Israel, Jordan, Morocco, the Palestinian Authority and Tunisia); partial application of EU energy policies and legislation may be possible in the future
	EU-Russia Strategic Partnership: EU & Russia	Based on shared principles and objectives; applicability of the EU legislation in Russia is out of question
	ECT member-states: 51 states of Europe & Asia	ECT is fully applicable within the EU as minimum standard; EU went further in liberalizing its internal energy market, BUT whether EU can demand that other ECT member-states follow same model and speed of developing their domestic markets?
	ECT observer-states: 20 states of Europe, Asia (e.g. Middle East, South-, SE- & NE-Asia), Africa, North & Latin America	Shared ECT aims & principles; did not take ECT legally binding rules; not ready to take more liberal rules of EU Acquis

